

Personnel Issues & You



UPPS Newsletter 2001-06

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Kentucky Local Tax Codes

A complete list of city and county tax codes and rates is available on the Internet as well as in the Personnel Processing Manual. Whenever referring to this list, it is important to refer to any relevant footnotes. For example, you will see on page 5.43 that the first \$5,000 of gross wages is exempt from withholding taxes for Carroll County. A link to the web version of this tax code and rate table can be found in the electronic Personnel Processing Manual or at

<http://kygovnet.state.ky.us/personnel/payinfo.htm>.

Agency Payroll and Personnel Staff List

This is just a reminder that a link to the agency payroll and personnel staff list is available on the web at <http://kygovnet.state.ky.us/personnel/payinfo.htm>. This link also provides e-mail links to the individuals on that list. Please review the staff shown for your agency and help us keep this list updated. Instructions appear at the bottom of each page as to who to notify with corrections.

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Change in Newsletter Format

You've probably noticed the new format of this issue of the Personnel Issues & You newsletter. One of the e-mail recipients suggested this format as a means of making it more readable on-line. Since most readers now receive it electronically, we thought it was a good suggestion. Thanks!

Deferred Comp Reduces Fees Again

In a meeting on May 16, 2001, the Board of Trustees (Board) of the Kentucky Public Employees' Deferred Compensation Authority (Authority) voted to reduce participant fees effective July 1, 2001. This is the sixth straight year that Kentucky Deferred Comp has been able to reduce the fees its members pay.

Effective July 1, the Board voted to:

- 1) Reduce the first tier of the Mutual Funds Asset Fee 5 basis points; and
- 2) Reduce the flat Fixed Contract Fund (FCF) Asset Fee 5 basis points.

While these reductions are somewhat smaller than in prior years, this year's savings immediately impacts ALL participants.

Under this year's mutual funds fee reduction the tier of charges changes as follows:

Account Value Tier	Current Fee	7-1-01 Fee
1 st \$25,000	0.40%	0.35
Next \$25,000	0.30%	0.30
Next \$50,000	0.20%	0.20
Next \$150,000	0.10%	0.10
Amounts Over \$250,000	0.00%	0.00

The maximum fee charged to any participant will be reduced by \$12.50 per year.

This change will result in a total mutual fund participant fee reduction of about \$185,000/yr., approximately a 9% reduction.

The FCF Fee reduction changes from the current charge of a flat 40 basis points on a participant's account value to a charge of a flat 35 basis points. This change will result in a participant fee reduction of about \$137,000/yr., approximately a 13% reduction.

The overall effect on the Asset Fees created by these reductions will be:

Fund Category	5 bps Reduction
Mutual Funds (1 st \$25,000)	\$185,000
Fixed Contract Fund	\$137,000
Combined Funds	\$322,000

This year's fee reduction brings the total savings over the past six years to more than \$3 million in annual recurring savings.

Reduction Date	Estimated Reduction
July 1, 1996	\$444,000
July 1, 1997	\$231,000
July 1, 1998	\$869,000
July 1, 1999	\$712,000
July 1, 2000	\$525,000
Reduce 1 st tier Mutual Fund & flat FCF Asset Fees July 1, 2001	\$322,000
Total estimated annualized reduction to date	\$3,103,000 or 34 basis points

If you have any questions or need additional information please call Chris Helvey at 502-573-7925 or 800-542-2667.

Payroll Training Update

The payroll training classes are going really well and are currently scheduled once a month for a three-day session, through October. Document Direct classes are also being conducted. We completed four classes during May and have 4 classes scheduled for June. The demand for both of these classes are very strong at this time so it is imperative that if you can't attend your scheduled class that you contact Donna Parker at 502-564-6883, so that someone from the waiting list may have your slot.

Also, if you or your agency has a need for specific payroll training, please contact Donna as well and she will be glad to accommodate. This includes but is not limited to: deferring monies to Deferred Compensation, setting up Savings Bonds, and direct deposits. Most training sessions are scheduled during the Supplemental Payroll time frame in order for the regular payroll to be processed with minimal interruption. Feel free to e-mail Donna as well at DonnaJ.Paker@mail.state.ky.us.

Retirement Rate Change

Effective pay period May 1 to May 15, the state rate for working retirees was changed to 1.89%. The utility code is 0000021. Also, effective pay period July 1, 2001 this rate will change to 2.85%.

Payroll Manual To Get Face Lift

Carol Kelien and Donna Parker have recruited several payroll staff from different agencies to assist in rewriting the Payroll manual. The goal is to make the manual more user friendly. This project will take place over the next several months and once completed, the manual will be accessible on-line through the Personnel Cabinet home page.

Please feel free to send any changes you would like to see or suggestions you may have to either Carol or Donna. All information will be appreciated.

Commonwealth Choice Website

The Personnel Cabinet is excited to announce the completion of the Commonwealth Choice website that was created by Hunt, DuPree, Rhine and Associates. The website will allow employees enrolled in Commonwealth Choice to view their accounts. The address is <http://www.online-enrollment.com/hdr>. The employee will need to enter their social security number and their pin number that was listed on their quarterly statement.

How to Process Changes in Commonwealth Choice

If an employee has a qualifying event (Q.E.) which allows him to make a change regarding Commonwealth Choice, there are many variables that must be considered. Examples are provided below to address what kind of changes can be made and how to process them.

Example 1 - Drop health insurance, waive and put the state contribution into Commonwealth Choice.

Employee's spouse gains employment on 3-7-01 and the spouse can pick up family coverage effective April 1st.

Employee turns in an application, signed 3/28/01, to drop insurance and put the state contribution into Commonwealth Choice.

Employee's health insurance would end 4/30 and Commonwealth Choice would start 5/1. **IN THIS EXAMPLE, FAMILY WOULD HAVE DOUBLE COVERAGE FOR APRIL. One through SP and one through State Group Health Insurance**

How to Process:

- 1) Have employee fill out Health Care Spending Account Status Change form,
- 2) Health Insurance Application (part 1 & 6), and a Commonwealth Choice Form.
- 3) Mail originals to: Office of Public Employee Health Insurance
ATTN: Susan Popp
Personnel Cabinet
200 Fair Oaks, Suite 501
Frankfort, Kentucky 40601
- 4) In the 4/15 payroll - change the Y-screen (POPY) to waiver.
- 5) In the 4/30 payroll - on the K-screen (POPY) change the deduction.
#66 Amount (employer's contribution of \$117.00)
#07 Amount (employee's can put up to \$3.00)

Example 2 – Drop Commonwealth Choice and pick up health insurance

The employee waived health insurance during open enrollment and had the state's share of \$117.00 per pay period deposited into FSA. The employee had a qualifying event that allowed them to stop FSA and pick up health insurance effective May 1st. This employee resides in Greenup County, which is allotted \$252.46 for health insurance. This employee is eligible for health insurance for 8 months (May-December) and has been reimbursed by Hunt, Dupree, Rhine for \$975.00 in uninsured medical cost.

How to Process:

- 1) Determine the annual state contribution in the county where the employee is picking their health insurance.
 - (1) \$234.00 x 12 = \$2808.00 a year
 - (2) \$252.46 x 12 = \$3029.52 a year
 - (3) \$273.52 x 12 = \$3282.24 a year
 - (4) \$293.46 x 12 = \$3521.52 a year
- 2) Call Hunt, DuPree, Rhine and Associates (HDR) to see if any claims have been paid to date, and if so, the amount reimbursed to the employee.
- 3) Determine the effective date for Health Insurance.
- 4) Determine how many months Commonwealth Choice will be effective.

The maximum amount that could be placed into FSA ($\$234.00 \times 12$) \$2808.00.

Calculate the difference of \$252.46 and \$234.00 multiplied by 12 and add to the \$2808.00 ($\$252.46 - \$234.00 = \18.46) ($\$18.46 \times 12 = \221.52) ($\$2808.00 + \$221.52 = \$3029.52$)

Subtract amount reimbursed by FSA \$975.00 ($\$3029.52 - \$975.00 = \2054.52)

Divide the total amount by the remaining number of months the employee needs coverage ($\$2054.52 \div 8 = \256.82)

This amount is higher than the allotted amount based on the county, therefore, the employee would be entitled to \$252.46 for the state's share.

- 5) Have employee fill out Health Care Spending Account Status Change form, Health Insurance application (in its entirety) and a Commonwealth Choice form.
- 6) Mail originals to: Office of Public Employee Health Insurance
ATTN: Susan Popp
Personnel Cabinet
200 Fair Oaks, Suite 501
Frankfort, Kentucky 40601
- 7) Change the Y-screen (POPY) from waiver to Health Insurance.
- 8) Change the K-screen (POPY) deduction #20 Dollar Amount and change the last Digit of Goal Field (1) deduction #63 Dollar Amount and change the last Digit of Goal Field (1)
- 9) Stop deduction for Commonwealth Choice (#66 employer's contribution)
(#07 employee's contribution)

Example 3:

The employee waived during Open Enrollment and now has a Q. E. that will allow them to pick up Health Insurance May 1st.

How to Process:

- 1) Leave FSA deduction active until after the 4/15 payroll runs. Then stop the deduction 66 in the 4/15 supplemental payroll. This is so the deduction will not stop until 4/30 (that is the last check the employee will receive that has FSA deduction).
- 2) Health insurance should be set up in the 4/15 payroll to pay for May's coverage. Since we have modified the system to accommodate this new policy, deduction 20 and 63 can be set up at the same time. You will still have deduction 66 to set up.
- 3) Set up the Health Insurance on the "Y" screen. If the dollar amounts are different than the table amounts, go to the "K" screen put a "1" in the last position of the goal field and key in the amounts for deduction 20 and deduction 63 as needed.

Commonwealth Choice Reminders

Remember: Coordinators will need to set up Commonwealth Choice deduction(s) in the 5/30 payroll for new appointments that have the effective date of 6/1/01.

Likewise, for qualifying events effective 6/1/01 coordinators will need to stop or set up deduction(s) for Commonwealth Choice in the 5/30 payroll.

Susan Popp or Jerry Jones will be contacting the coordinators to do 800s for any new members who do not get set up on time for Commonwealth Choice.

Attached are the new forms for the Healthcare Spending Account Change in Status. Please start using these forms now and do away with the old forms.

You will note on the bottom of the new Healthcare Spending Account Change in Status form, a place has been designated to record the date & dollar amount of the claim(s) paid year to date. This is obtained from HDR when you call in. This will speed up completing approval by the Office of Public Employee Health Insurance.

NOTE: DO NOT set up Dependent Day Care Change in Status until you get approval back from Susan Popp in Office of Public Employee Health Insurance. Effective date might change – Rule for DDC status change will be effective 1st of month as close to Q.E. without catching up arrears or doing request for refund.



HEALTHCARE SPENDING ACCOUNT

Commonwealth of Kentucky
COMMONWEALTH CHOICE
CHANGE IN STATUS FORM

NAME	SS#	-	-
STREET			
CITY	STATE	ZIP	
STATE AGENCY	DAYTIME PHONE () -		

Please indicate the type of status change incurred:

- | | |
|---|---|
| <input type="checkbox"/> Birth, adoption, placement for adoption | <input type="checkbox"/> Dependent satisfies, or ceases to satisfy, eligibility status under the plan |
| <input type="checkbox"/> Marriage | <input type="checkbox"/> Change in residence or work site |
| <input type="checkbox"/> Divorce, legal separation, annulment | <input type="checkbox"/> Employment status change for employee, spouse, dependent |
| <input type="checkbox"/> Death of employee, spouse, dependent | <input type="checkbox"/> Judgment, decree, order (including qualified Medical child support order) |
| <input type="checkbox"/> Entitlement to Medicare or Medicaid of Employee, spouse, dependent | <input type="checkbox"/> HIPAA special enrollment right event |

This is to certify that on _____ (Date of Event), I incurred the status change(s) checked above, and therefore wish to change my plan benefits as indicated below. I understand that the change request must be consistent with the change in status change event.

I request a change in my *"per check deduction"*

from \$ _____ to \$ _____ employee money

from \$ _____ to \$ _____ employer money

Effective Date

Employee Signature

Date

NOTE: The IRS Allows only the above family status changes, and it require That you maintain legal documentation of the changes in your personnel Records. Examples of documentation include: marriage, birth or death Certificates; divorce decree; notice of legal separation, proof of change in Spouses' employment; adoption papers; or property deed.

Coordinator Signature

Called HDR _____ date

Claims paid year to date \$ _____.

Date Approved:

Approved by: